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CHINA: M-11 SANCTIONS DECISION

Q: Why have you decided to sanction China and Pakistan now after so many reports that China sold M-11 missiles to Pakistan?

A:-- WE REACHED A DETERMINATION ON AUGUST 1993 THAT THERE WAS SUFFICIENT EVIDENCE TO IMPOSE SANCTIONS AGAINST CHINA AND PAKISTAN.

- U.S. LAW CALLS FOR THE IMPOSITION OF SANCTIONS ON FOREIGN PERSONS WHO KNOWINGLY TRANSFER MTCR ANNEX ITEMS THAT CONTRIBUTE TO CATEGORY I MISSILE DEVELOPMENT.
- CATEGORY I MISSILES ARE MISSILES CAPABLE OF CARRYING A PAYLOAD OF 500 KILOGRAMS A DISTANCE OF 300 KILOMETERS OR MISSILES INTENDED TO CARRY WEAPONS OF MASS DESTRUCTION.
- CATEGORY I SANCTIONS ARE IMPOSED IF THE TRANSFER INVOLVES COMPLETE MISSILE SYSTEMS AND MAJOR SUBSYSTEMS.
- CATEGORY II SANCTIONS ARE IMPOSED IF THE TRANSFER INVOLVES LESS SENSITIVE, DUAL-USE ITEMS IN THE MTCR ANNEX.

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| IS/FPC/CDR | MDZ | Date. 7/28/95 |
| MR Cases Only | EO Citations | TS authority to. |
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- IN THE CASE OF THE CHINA/PAKISTAN M-11 TRANSACTION, WE HAVE DECIDED TO IMPOSE CATEGORY II SANCTIONS.
- THE DECISION WAS MADE ONLY AFTER MONTHS OF DELIBERATIONS OVER NUMEROUS REPORTS, FROM MANY SOURCES ABOUT AN M-11 RELATED TRANSFER FROM CHINA TO PAKISTAN.
- WE RAISED THE ISSUE MANY TIMES, BUT RECEIVED NO SATISFACTORY RESPONSE.
- RECENTLY, SECRETARY OF STATE CHRISTOPHER RAISED OUR CONCERN WITH THE CHINESE PRIME MINISTER IN SINGAPORE.
- UNDER SECRETARY DAVIS WENT TO BEIJING IN JULY TO GIVE THE CHINESE GOVERNMENT A LAST OPPORTUNITY TO PROVIDE INFORMATION THAT MIGHT REFUTE ACCUMULATED EVIDENCE. WHEN THE CHINESE WERE UNWILLING OR UNABLE TO DO THAT, WE HAD NO OTHER CHOICE BUT TO RELY ON THE SUBSTANTIAL EVIDENCE WE HAD ACCUMULATED.

Q: What do the sanctions provide?

A:-- CATEGORY II SANCTIONS REQUIRE:

- o DENIAL OF NEW EXPORT LICENSES FOR MTCR ANNEX ITEMS (BOTH MUNITIONS AND DUAL USE ITEMS) TO THE SANCTIONED ENTITIES FOR TWO YEARS; AND,
 - o DENIAL OF USG CONTRACTS RELATING TO MTCR ANNEX ITEMS WITH THE SANCTIONED ENTITIES FOR TWO YEARS.
- IN THE CASE OF CHINA, THE HELMS AMENDMENT TO THE MISSILE PROLIFERATION SANCTIONS LAW REQUIRES THAT SANCTIONS FOR MUNITIONS EXPORTS AND USG CONTRACTS BE EXTENDED TO "ALL ACTIVITIES OF THAT [THE SANCTIONED ENTITIES'] GOVERNMENT"
- o RELATING TO THE DEVELOPMENT OR PRODUCTION OF MTCR-CLASS MISSILES, OR
 - o AFFECTING THE DEVELOPMENT OR PRODUCTION OF ELECTRONICS, SPACE SYSTEMS OR EQUIPMENT, AND MILITARY AIRCRAFT.

- ALL ACTIVITIES OF THE PRC GOVERNMENT IN THESE BROAD AREAS WOULD BE SUBJECTED TO THE SANCTIONS LISTED ABOVE. THE ONLY EXCEPTION IS COMMERCE-CONTROLLED ITEMS, SANCTIONS FOR WHICH REMAIN LIMITED TO THE SPECIFIC ENTITIES SANCTIONED.

Q: Can you tell us something about the effect of sanctions?

A:-- CATEGORY II SANCTIONS WOULD PROHIBIT THE EXPORT OF US-MADE SATELLITES THAT CONTAIN ITEMS ON THE MTCR ANNEX TO THE SANCTIONED ENTITIES.

- IT IS DIFFICULT TO BE DEFINITIVE ABOUT THE EFFECTS OF THE HELMS AMENDMENT SANCTIONS. APART FROM NORTH KOREA, WITH WHICH THE U.S. HAS NO TRADE IN THE SANCTIONED AREAS, WE HAVE NO EXPERIENCE WITH HELMS AMENDMENT SANCTIONS.

Q: What about the effect of sanctions on Pakistan?

A:-- THE EFFECT OF CATEGORY II SANCTIONS ON PAKISTAN WOULD BE LIMITED, SINCE THE U.S. PERMITS VERY LITTLE MTCR ANNEX-ITEM TRADE WITH PAKISTAN.

-- I SHOULD ADD THAT THE LAW DOES NOT PERMIT THE EFFECT OF SANCTIONS TO BE A CONSIDERATION IN DETERMINING WHETHER THE STANDARD TO IMPOSE SANCTIONS HAS BEEN MET.

Q: Is the U.S. contemplating waiving the sanctions?

A:-- SANCTIONS CAN BE WAIVED ONLY IF IT IS ESSENTIAL TO THE NATIONAL SECURITY. SINCE OUR OBJECTIVE IS TO STRENGTHEN OUR NATIONAL SECURITY, WE WILL DISCUSS WITH BOTH CHINA AND PAKISTAN ACTIONS THEY COULD TAKE THAT WOULD SERVE U.S. NATIONAL SECURITY INTERESTS AND THEREFORE JUSTIFY A WAIVER.

Q: What impact do you expect the sanctions to have on our bilateral relations with Pakistan and China?

A:-- THIS DECISION AND ITS CONSEQUENCES SHOULD NOT BE A SURPRISE TO EITHER CHINA OR PAKISTAN, SINCE WE HAVE BEEN DISCUSSING THE TRANSFER WITH BOTH COUNTRIES FOR MANY MONTHS.

-- WE HAVE BROAD INTERESTS OF MUTUAL ADVANTAGE TO PURSUE WITH BOTH COUNTRIES, AND WE INTEND TO CONTINUE TO WORK TO FIND AREAS OF COOPERATION.

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